



CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

CALIFORNIA CAPITAL ACCESS PROGRAM



2004 Annual Report

Background

The California Capital Access Program for Small Businesses ("CalCAP") was established by legislation enacted in 1994. The program assists small businesses in obtaining loans through participating financial institutions. For eligible businesses, CalCAP matches loss reserve account premiums paid by borrowers and lenders on loans. The participating financial institutions are entirely liable for loan losses, which can be reimbursed through each lender's CalCAP loan loss reserve fund. CalCAP has been highly successful in encouraging the public and private sectors to work together to increase access to capital for small businesses.

Program Results

Increasing Loan Volume: For calendar year 2004, the program enrolled 557 loans to California small business owners (the second highest number of loans in the program's history) totaling approximately \$50 million.

From the program's inception on March 23, 1994 through December 31, 2004, 4,673 loans were originated under the program, totaling approximately \$983 million made available to small businesses located throughout California.

Strong Leverage Ratio of Public Funds to Private Lending: For 2004, CPCFA's matching contribution to the participating financial institutions' loss reserve accounts was \$1,803,543. Since CalCAP began ten years ago, CPCFA's total contribution to the program has been \$24,805,659.34. This equates to a leverage ratio of approximately 1 to 40. In simple terms, for every dollar allocated to loan loss reserve accounts from the CPCFA, forty dollars were loaned to small businesses in California from participating financial institutions.

Financial Condition

Claims Against Loss Reserve Accounts Historically Low: From program inception through December 31, 2004, participating financial institutions have made 388 claims for reimbursement, totaling approximately \$41.5 million. Comparing the total number of claims (388) to the total number of loans (4,673) produces a default rate of 8.3%.

Loss Reserve Balances Sufficient, In Line With Historical Claim Levels: As of December 31, 2004, the combined loss reserve balance of the program's lenders totaled approximately \$19.4 million. The combined outstanding loans, as reported by program lenders for that same period, totaled approximately \$178.2 million. This results in a ratio of approximately 11% of loss reserve funds to outstanding loans, which is sufficient compared to historical claim levels.